

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

STARRED QUESTION NO:503
ANSWERED ON:30.04.2002
MISAPPROPRIATION OF SUBSIDY FUNDS
BALIRAM

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether the cases of misappropriation of subsidy funds by several fertilizer companies in the country, particularly in Gujarat, Rajasthan and Uttar Pradesh have come to the notice of the Government during the year 2001- 02 till date;
- (b) if so, the details thereof;
- (c) whether the gross irregularities have been detected in the accounts of fertilizers sold to the farmers in these States;
- (d) if so, the estimated financial losses suffered by the Government as a result thereof; and
- (e) the steps taken by the Union Government in this regard?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) to (e) OF LOK SABHA STARRED QUESTION NO.503 FOR ANSWER C 30.04.2002 REGARDING MISAPPROPRIATION OF SUBSIDY FUNDS

(a) to (c): Certain instances have been brought to the notice of the Government during the year 2001-02 regarding misappropriation/wrongful claims by fertilizer companies in the matter of drawal of concession under the Concession Scheme for decontrolled fertilizers pertaining to sales in the states of Gujarat, Uttar Pradesh and Bihar.

As per the instructions issued by the State Government of Bihar, Director of Agriculture was required to obtain verification reports from District Agriculture Officers for issuing sale certificates under the Concession Scheme for decontrolled fertilizers. However, Director of Agriculture issued sale certificates during the period 1994-95 to 1997-98 by flouting these instructions regarding certification of quality and quantity of fertilizers sold. The Comptroller & Auditor General (CAG) in its Report (Civil) 2000 apprehended that because of sales certificates so issued by Director of Agriculture, which amount to about Rs.162 crore, the possibility of certifying doubtful claims of the concession of the 22 suppliers based on inflated and fake supplies of fertilizers was not ruled out. While referring the matter to Bihar Government in February, 2000 for furnishing factual position on the case, the GOI also decided to withhold balance payment against sales certification by State Government till the matter is settled. The State Government of Bihar has in February, 2002 referred the matter for investigation by CBI.

In the case of alleged fraudulent claims and other malpractices by the SSP unit located in the State of U.P., the GOI had in March 2000 requested State Government to conduct an inquiry and also decided in February, 2000 to stop further payment of concession to all the 29 units. After receipt of the inquiry report from the Government of U.P., conducted in respect of manufacture and sales for the period 1998-99 and 99-2000, the GOI in consultation with State Government decided to continue stoppage of payment of concession in respect of 21 units. Besides, the State Government was instructed to file FIR against all the units in case the criminality is prima facie established and to issue fresh certification of sales after reconfirmation of facts in this regard so that recoveries, if any, can be made against any wrongful claims. Decision has also been taken for recovery against the alleged false sale of SSP found as a result of the above inquiry.

The State Government of Gujarat in August 2001, reported that a quantity of 4359 MT of MOP sold in Gujarat by Indian Potash Limited (IPL) during June-September 2000 was not sold for agricultural purposes on which concession had been wrongly claimed by the company. In the meanwhile, concession amount has been withheld by the Government, equivalent to that paid/payable on the impugned quantity of MOP sold during that period. IPL has been asked to inquire into the matter and explain the wrongful claim of concessions. IPL has, in turn, sought details from the State Government.

In another case of U.P., the State Government has recently informed sale of sub-standard DAP of about 21680 MT by Oswal Chemicals & Fertilisers Limited (OCFL) during the year 2000-01, apart from having claimed on-account concession of DAP in excess of actual sales. A decision has been taken to withhold/recover the full concession amount against 21680 MT of DAP. OCFL has,

however, represented before Director of Agriculture, U.P. against the reported sale of sub-standard DAP. As regards any excess sale, adjustment/recovery of the disputed sales is subject to confirmation by the State Government on the actual quantity sold. In addition, GOI is awaiting report of the State Government regarding another complaint against OCFL for sale of sub-standard DAP in U.P.

(d): As regards extent of loss arising from the alleged wrongful claims of concession in the above mentioned cases, this will be known only after completion of proceedings initiated by the State authorities/CBI investigation and the extent of recoveries.

(e): In order to check wrongful claims and other malpractices in manufacturing and sale of decontrolled fertilizers, Government has taken further steps. The salient ones are:

(i) To ensure that SSP units are indeed using notified grades of rock phosphate, a Technical Audit and Inspection Cell (TAC) has been constituted to conduct inspections of the SSP units.

(ii) TAC has already conducted first time inspection of 95 SSP units in the country. Only those units, which according to TAC, after taking into consideration the plant and infrastructural facilities, are capable of producing SSP meeting FCO norms have been allowed for availing of concession under the Scheme.

(iii) TAC has also been asked to conduct six monthly inspections of SSP units to check the use of notified grades of rock phosphate and production of quality SSP.

(iv) Government has entrusted the TAC to conduct inspection of all the DAP and complex fertilizers manufacturing plants to check production and first point sale of fertilizer for the year 2001-02.

(v) Bihar Government has been requested, in the meeting convened recently with the State Government, to consider resumption of sales certification of decontrolled fertilizer in accordance with the procedure laid down in the Guidelines of 17.5.2001 in respect of sales made on and after 1.4.2001.